

11

REQUEST FOR COUNCIL ACTION

MEETING

DATE: 11/3/2003**AGENDA SECTION:**

Consent Agenda/Organizational Business

ORIGINATING DEPT:

Finance Department

ITEM NO.D-5**ITEM DESCRIPTION:** Continuation of Audit Services with Smith Schafer and Associates, Ltd.**PREPARED BY:**

Dale Martinson

In November of 1998, the City received proposals for financial audit services and selected the firm of Smith, Schafer and Associates, Ltd. to provide audit services for the five-year period quoted. The final year of that quote was for last year's audit of our 2002 activities. Staff is recommending continuing to utilize this firm's services for the next three years based upon the following points:

1. Both our staff and that of Smith Schafer have invested significant resources in developing our initial release of financial statements under the new financial reporting requirements (GASB 34). However, we have yet to fully implement the "retroactive infrastructure" portion of those requirements. We are authorized three additional years to do so. In working with the Public Works Department's available GIS resources and considering our own staff shortage, it will likely take us the full three years to complete this for all streets, sanitary sewer, storm water, water, traffic signals, pedestrian facilities, bridges, etc. It would provide important consistency vastly improve efficiency if we could complete this project with the same audit firm.
2. Smith Schafer has proposed fee increases for the next three years that are quite modest given the growth in activity in the City over the years. These increases (shown attached), range from 2.74% to 3.12% annually over those years and are consistent with their previous proposal issued five years ago.
3. At current growth rates, the City will likely soon reach a population of 100,000 and thus become a "city of the first class" by Minnesota statute definition. It used to be that the State Auditor would automatically audit all first class cities in Minnesota. A change to that law last year left it a bit more of an open question as to whether they would audit us on a regular basis or just "once in a while", but I would prefer to resolve that question before we go out on a full "request for proposals" process again.

Based on an informal survey of audit costs in other Minnesota cities and counties, we believe the fees charged by Smith Schafer are quite reasonable. With that and the above considerations in mind, we request authorization to accept their proposal of audit fees for the coming three year period.

RECOMMENDED COUNCIL ACTION:

Accept the proposal from Smith Schafer and Associates, Ltd. for audit services for the years ending December 31, 2003, 2004, 2005.

COUNCIL ACTION: Motion by: _____ Second by: _____ to: _____

12